25X1

Top Secret

Central Intelligence Bulletin

State Department review completed

Top Secret

25X1

C 308

February 8, 1974

25X1

25X1

25X1

February 8, 1974

Central Intelligence Bulletin

CONTENTS

25X1

25X1

EUROPEAN COMMUNITIES: A monetary committee composed of high-level representatives of the nine EC countries and Commission monetary officials reached agreement earlier this week on financial issues relating to the energy situation. Although the conclusions are not binding, they represent a consensus among influential community experts on topics that are likely to be discussed at next week's conference in Washington. On virtually all the topics discussed the need for concerted international action was stressed.

The officials agreed that the Washington conference should reaffirm an earlier accord to avoid competitive devaluations in order to pay for oil. They also endorsed the proposal of IMF Managing Director Witteveen for an international facility to return to the consumers the enormous sums that the oil producers will accumulate. The financial experts were at the same time aware that such an arrangement should not imply acceptance by the consuming nations of the rapid increases in oil prices.

On the need to meet deficits by borrowing from capital markets, the officials are prepared to propose in Washington that all parties agree to avoid "disruptive competition" in international borrowing and greater exchanges of information through existing international bodies. The discussion was inconclusive, however, on the possibility of coordinated EC borrowing suggested by France and the Commission.

France already has firm plans to borrow from international capital markets, but the other EC countries are, for the moment, reducing their capital controls to stimulate an inflow of funds. Because oil-related deficits do not require immediate action, EC members will be able to discuss coordinated borrowing efforts or alternative international arrangements at future finance ministers' meetings. More will then

25X1

 25X1

[redacted]

be known about the size and destination of oil exporters' surplus revenues. Furthermore, member countries will have had time to discuss their own borrowing needs and their ability to attract directly these surplus oil revenues.

The Committee also discussed increasing the official value of gold, a question that has received increased attention because of the threat to monetary reserves represented by high payments for oil. Pushed especially by the French, the Commission has proposed unfreezing the price of gold for transactions among EC members. The Germans insisted again this week that international agreement on the role of gold would have to be reached first--that is, that US attitudes toward raising the gold price would have to change. The Monetary Committee agreed that the community should attempt to conclude an international accord by July 1974 and that, failing this, the EC might "feel free to pursue the question on a regional basis." [redacted] 25X1

 25X1

[redacted]

25X1

UNITED KINGDOM: Prime Minister Heath sidestepped his confrontation with the miners by calling for an early election to be held on February 28. He has asked the miners to postpone their strike, scheduled to begin on Sunday, until after the election.

The miners' executive committee is meeting today to decide whether to accede to Heath's request. The union president, a moderate, believes that the strike ought to be deferred. Some of the militants on the committee, however, have come out in opposition to a postponement.

A decision by the miners to strike this weekend would make clear to the electorate that the major campaign issue is indeed whether the government or the unions run Britain. The Labor Party almost certainly will plead with the miners to suspend strike action because the party is already saddled with an election manifesto expected to have little appeal to the electorate. The Labor Party wants to avoid calling attention to the divisions within its ranks. It is well aware of its responsibilities as the political arm of the trade union movement and that it is heavily dependent on union financing. The party's moderate leaders, however, have carefully disavowed statements by a Communist member of the miners' executive committee suggesting that the miners were using the pay dispute primarily as a means to topple the government.

One of Heath's principal goals now is to bolster the Tories' overall parliamentary majority, which now stands at 15. If he is successful, he will consider this a mandate to continue his counterinflation program and to ask for tougher measures to regulate industrial relations. The latest opinion polls give the opposition Labor Party a slight but hardly significant lead.

(continued)

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9

25X1

[redacted]

Both government and private estimates of the economic effects of the strike, particularly if a lengthy one, may have convinced Heath that an election was necessary. This week, leaders of the Confederation of British Industry urged Heath to try to avert the strike lest it lead to the worst economic catastrophe since the war. As many as 4 million workers could be unemployed, steel production could be cut in half within three weeks, and severe power restrictions would have to be imposed within five weeks. [redacted]

25X1

25X1

[redacted]

Next 1 Page(s) In Document Exempt

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9

TUNISIA: The draft constitutional amendment that was presented to the National Assembly by Prime Minister Nouira on February 1 providing for a referendum on the merger with Libya leaves the government ample room to postpone indefinitely the union agreement signed on January 12. The amendment calls for a negotiating process leading toward a treaty that would still have to be ratified by the National Assembly before a referendum could be held. In subsequent debate, assembly delegates have almost unanimously supported Nouira and other government officials who have called for gradual evolution toward any merger and have carefully characterized the union agreement Presidents Bourguiba and Qadhafi signed as a declaration of principle rather than a treaty.

25X1

Bourguiba's backtracking on the merger [redacted] is having an unsettling effect on Tunisian politics. Presidential succession is again the dominant political issue. Presidential hopefuls are becoming active in the belief that the period of transition from Bourguiba has finally begun.

Much will depend on how soon the 70-year-old President returns from medical treatment and several weeks of rest in Switzerland and whether he reconsiders his decision to run for re-election next November. Bourguiba's wife and son, as well as his ministers, will almost certainly try to persuade the ailing President to delegate responsibility for running the government. With preparations under way for the ninth congress of the ruling Destourian Socialist Party next October, advisers close to Bourguiba may try to convince him to designate his successor at the congress and either accept a ceremonial post or retire.

Prime Minister Nouira, his deputy and party director Mohamed Sayah, and Interior Minister Belkhodja are running the government while Bourguiba is out of the country. All three probably have presidential

25X1

25X1

[redacted]

There has been no hard evidence that the military will abandon its traditionally apolitical role during this period of transition, but the circumstances have raised questions about its loyalty. Younger officers, who like their civilian counterparts saw prospects for higher pay and promotions in the merger, were disappointed when it was shelved, but they do not appear to be actively opposing the government's decision.

25X1

[redacted]

25X1

25X1

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9

25X1

Next 1 Page(s) In Document Exempt

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9

25X1

<u>INTERNATIONAL MONETARY DEVELOPMENTS</u>: The action of the International Monetary Fund in approving the Bank for International Settlements in Basel as a holder of special drawing rights (SDRs) will, in effect, facilitate short-term financing of oil-related balance-of-payments deficits. The move will also enhance the attractiveness of SDRs--the so-called paper gold--as a reserve asset. The IMF expects that this new facility will assist developing countries in meeting seasonal requirements for foreign exchange. Previously, only the IMF and central banks held SDRs.

The Basel bank, often described as the central bank for other central banks, will now be able to accept SDRs as collateral in making loans to IMF members. Loans will be limited to six months, with the borrower assuming any exchange risk.

25X1

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9

25X1

Next 2 Page(s) In Document Exempt

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9

25X1

[redacted]

GUATEMALA: The fact that the government last weekend acted to settle the hospital workers' strike suggests that it sees some improvement in its prospects for the presidential election on March 3. Earlier, high-level government officials had apparently planned to use the strike as a pretext for imposing a state of siege that would have set the stage for postponing the election.

Even with this issue settled, some officials will probably still be looking for a plausible pretext for going ahead with the earlier plan if it appears that the government candidate, General Laugerud, will lose to the leftist opposition candidate.

[redacted] 25X1

25X1

FOR THE RECORD

[redacted]

Romania - Middle East: Bucharest announced yesterday that President Ceausescu will visit Libya "during February" at the invitation of Colonel Qadhafi. Other diplomatic and press reports claim that the Romanian leader will also visit Lebanon and Syria this month. Embassy Bucharest reports that Ceausescu may use the trip as an effort to preserve Romania's commercial relations with the Arabs, some of whom reportedly are considering boycotting Bucharest because of its relations with Israel. [redacted]

[redacted]

Saudi Arabia: Riyadh will spend some $85 million this year to stabilize domestic food prices. Wholesale prices of rice, flour, and sugar have been fixed and a subsidy will be paid to importers to compensate for the difference between world market prices and the fixed domestic prices. [redacted]

(continued)

 [redacted] 25X1

Turkey: The new government of Prime Minister Bulent Ecevit, composed of members of Ecevit's Republican Peoples Party and the National Salvation Party, received a narrow vote of confidence yesterday from the National Assembly. The vote completes the formal installation process for the new government that resulted from the parliamentary election last October. [redacted]

25X1

[redacted]

25X1

Laos: Prime Minister Souvanna Phouma has defused potentially troublesome student discontent at least for the moment by meeting with leaders of the Vientiane-based Lao Student Federation and persuading them that demonstrations could disrupt his efforts to form a new coalition government. [redacted] 25X1

[redacted]

25X1

25X1

 [redacted]

Top Secret

Approved For Release 2004/07/08 : CIA-RDP79T00975A026100110001-9